

REVIEW OF MONETARY DEVELOPMENTS MAY 2022

This report is a monthly release of the latest available key monetary aggregates, official interest rate and the analysis on commercial banks' interest rates of the Samoan economy with information sourced from the Central Bank, commercial banks, Ministry of Finance, non-bank financial institutions and Samoa Bureau of Statistics.

Report No.11: 2021/22

May 2022

Monetary Forecast

The actual monthly level of Money Supply (M2) was 0.9 percent lower than its original monthly forecast in May 2022. This reflected higher than expected inflow of foreign assets, which was offset by lower levels of credit to both Government and private sector.

Money Supply (M2)

Total money supply (M2) rose for the third consecutive month, rising by \$31.92 million (or 2.4 percent) to \$1,375.26 million. This was due to a sharp expansion of \$25.51 million (or 3.9 percent) in Net Foreign Assets (NFA) coupled with an increase of \$6.41 million (or 0.9 percent) in Net Domestic Assets (NDA). The increase in NFA reflected a substantial hike in official reserves of the Central Bank of Samoa, coupled with an increase in the foreign holdings of the banking system. In addition, the improvement in NDA was underpinned by an increase in 'Other items net' coupled with a reduction in capital accounts, as well as a decline in domestic credit.

However, the annual average growth rate of M2 continued to decelerate, falling to 3.47 percent from 3.53 percent in the previous month, which was lower than 4.7 percent in the same month of last year.

Credit¹

Total financial system (FS) credit fell by \$4.17 million (or 0.2 percent) to \$2,030.71 million. This was due to a \$6.56 million (or 0.6 percent) decrease in commercial banks' credit, offsetting

an increase of \$2.39 million in total lending of non-bank financial institutions (NFIs).

The bulk of total FS credit (97.8 percent) was lent to the private sector and the remaining balance directed to the public sector.

Furthermore, the contraction was driven mostly by lower lending to the 'Agriculture, forestry and fisheries' 'Building, construction, and installation' 'Electricity, gas and water' 'Other activities', 'Trade', 'Manufacturing' and 'Transportation, Storage and Communication' sectors.

On an annual average basis, total FS credit edged up to 2.64 percent from 2.62 percent in the previous month but was higher than 2.30 percent in May 2021.

The latest update on the National Accounts released by the Sāmoa Bureau of Statistics (SBS) was up to December 2021 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,191.2 million. At this level, the share of the FS credit to NGDP contracted to 93.1 percent in the December 2021 quarter from 99.7 percent in the September 2021 quarter. Comparably, the share of M2 to NGDP dropped to 60.8 percent from 64.2 percent in the previous quarter.

Reserve Money²

Total reserve money (RM) rose by \$7.31 million (or 1.4 percent) to \$534.68 million, as a result of a \$2.85 million hike in 'currency in circulation',

¹ Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending.
NFIs – Sāmoa National Provident Fund (SNPF), Development Bank of Sāmoa (DBS) and Sāmoa Housing Corporation (SHC)

² Reserve Money (also known as monetary base) comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS

coupled with an increase of \$4.46 million in 'commercial banks' reserves'.

On the other hand, total reserve money was \$26.16 million higher (or 5.15 percent) than its level in the same month last year, or 18.32 percent and 39.46 percent higher than its corresponding levels in the past three and five years.

Commercial Banks' Liquidity

Total liquidity expanded by \$7.52 million (or 2.20 percent) to \$349.37 million over the previous month. This was underpinned by a \$4 million expansion in commercial banks' vault cash holdings, coupled with an increase of \$3.52 million in their exchange settlement accounts (ESAs) holdings.

Furthermore, total liquidity was \$18.90 million (or 5.71 percent) higher than the same month last year or 18.43 percent and 41.77 percent higher than both its levels in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)³

For liquidity reasons, the CBS OMO remained on-hold given the volatile and uncertain economic environment created by the pandemic. The sharp slowdown in business activities and production coupled with tightening global financial conditions called for a temporary halt in the OMO. As a result, the overall weighted average yield remained at 0.15 percent since March 2020.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate increased by 2 basis point to 1.78 percent over the month but was 38 basis points lower than that of May last year. Similarly, the weighted average lending (WAL) rate edged up by 1 basis point to 8.30 percent but was 23 basis points lower than a year ago. As a result, the overall weighted average interest rate spread remained the same at 6.52 percent from the previous month but higher than 6.37 percent a year ago.

The current WAD rate was lower than its rates of 2.47 percent and 2.57 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.70 percent and 8.72 percent in the last three and five years in that order.

NFIs⁴ Lending Rates⁵

The overall WAL rate for NFIs edged up by 1 basis point to 8.23 percent over the month and was much higher than 8.07 percent in May last year. This was due to an increase in the WAL rate for SHC (up by 4 basis points) to 12.64 percent, offsetting a 1 basis points drop in the WAL rate for DBS whereas SNPF's WAL rate remained at 8.65 percent.

The current overall WAL rate was higher than its rates of 7.83 percent and 7.65 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA 29th June 2022

³Central Bank of Samoa Securities (CBSS) is the main instrument for implementing monetary policy in the country and it is traded in various maturities in the domestic financial market through the open market operation (OMO).

⁴Non-monetary Financial Institutions. Only reports the main NFIs, Samoa National Provident Fund (SNPF), Development Bank of Samoa

(DBS) and Samoa Housing Corporation (SHC). Effective October 2018, SHC started reporting to CBS on monthly basis, as was previously reported on quarterly basis.

⁵ Lending rates of SHC are provisional for the reporting month.

Monetary Aggregates

End of Period Figures	Average level in the previous		2021		2022	
	3-years	5-years	May	March	April	May
Determinants of Money Supply (M2) ⁷			Amount in Tala Million			
Net Foreign Assets ⁹	513.32	411.47	634.12	623.53	651.81	677.31
Net Domestic Assets	743.35	753.43	665.73	685.84	691.53	697.94
Money Supply (M2)	1256.67	1164.90	1299.849	1309.370	1343.340	1375.258
<i>Trend / Annual Average (%)</i>	7.05	7.95	4.7	4.0	3.5	3.4
<i>Narrow Money (M1)</i>	552.66	506.95	562.89	587.42	602.59	631.59
Currency outside banks	106.76	92.36	119.59	126.24	126.05	124.90
Transferable Deposits ⁴	445.91	414.60	443.30	461.18	476.54	506.69
<i>Quasi Money</i>	704.01	657.95	736.96	721.95	740.75	743.67
Other Deposits ⁵	704.01	657.95	736.96	721.95	740.75	743.67
Central Bank of Samoa			Maturity Yield			
Open Markets Operations			0.15	0.15	0.15	0.15
<i>Securites Official Rate</i>	0.16	0.15				
Reserve Money²			Amount in Tala Million			
Total	451.88	383.39	508.51	531.027	527.363	534.67467
<i>Trend / Annual Growth (%)</i>	18.68	14.63	12.8	7.3	6.5	5.7
Financial System (FS)			Amounts in Tala Million			
FS Credit						
Commercial Banks ⁷	1163.91	1125.77	1178.19	1186.21	1179.45	1172.89
<i>Trend / Annual Growth (%)</i>	3.63	5.50	1.1	0.90	0.94	0.92
Non-Monetary Financial Institutions (NFIs)	782.73	708.67	823.38	855.13	855.43	857.82
<i>Trend / Annual Growth (%)</i>	9.61	9.79	4.2	6.2	6.3	4.2
Private Sector	1907.98	1792.42	1977.80	2023.82	2017.61	2014.07
Businesses	1051.45	1015.84	1067.83	1034.42	1029.83	1019.71
Individuals	856.53	776.59	909.97	989.40	987.78	994.36
Public Sector (NFIs, NPEs, & Govt)	38.66	42.02	23.77	17.52	17.26	16.64
Total FS Credit ⁸	1946.64	1834.45	2001.57	2041.35	2034.88	2030.71
<i>Trend / Annual Growth (%)</i>	5.87	7.08	2.3	2.49	2.62	2.64
Commercial Banks ³			Amounts in Tala Million			
Liquidity						
Total	295.25	246.64	330.777	345.181	342.155	349.67286
<i>Trend / Annual Growth (%)</i>	19.46	16.59	8.7	6.6	6.2	5.3
Interest Rates			Percentage			
Overall Weighted Average Lending ⁷	8.70	8.72	8.53	8.30	8.29	8.30
Australia New Zealand Bank (Sāmoa) Limited	8.63	8.80	7.99	7.74	7.74	7.76
Bank South Pacific (Sāmoa) Limited	8.10	7.93	8.34	7.61	7.60	7.59
National Bank of Sāmoa Limited	8.13	8.07	7.98	8.17	8.15	8.18
Samoa Commercial Bank Limited	10.39	10.46	10.14	9.96	9.94	9.92
Overall Weighted Average Deposit	2.47	2.57	2.16	1.79	1.76	1.78
Australia New Zealand Bank (Sāmoa) Limited	1.26	1.33	0.97	0.78	0.89	0.87
Bank South Pacific (Sāmoa) Limited	2.44	2.65	2.14	1.66	1.41	1.58
National Bank of Sāmoa Limited	3.55	3.62	2.89	2.40	2.52	2.46
Samoa Commercial Bank Limited	2.92	3.12	2.73	2.43	2.42	2.38
Market Shares						
Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limited	25.69	28.54	24.51	25.47	25.46	25.52
Bank South Pacific (Sāmoa) Limited	30.53	28.79	30.28	30.15	30.05	29.90
National Bank of Sāmoa Limited	24.00	22.87	24.14	21.89	21.91	21.75
Samoa Commercial Bank Limited	19.78	19.80	21.07	22.50	22.58	22.82
Deposit						
Australia New Zealand Bank (Sāmoa) Limited	26.32	28.39	24.35	23.87	25.09	25.40
Bank South Pacific (Sāmoa) Limited	30.63	30.14	30.39	29.15	29.75	29.62
National Bank of Sāmoa Limited	21.51	20.73	21.95	21.92	20.66	20.51
Samoa Commercial Bank Limited	21.54	20.76	23.32	25.06	24.50	24.47
Non-monetary Financial Institutions (NFIs)			Percentage			
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.41	8.25	8.51	8.65	8.64	8.65
Development Bank of Samoa (DBS) [@]	4.27	4.80	3.89	4.03	4.12	4.02
Samoa Housing Corporation (SHC) ¹	10.71	10.71	12.92	12.62	12.60	12.64
NFIs¹ Overall WAL ^{6 8}	7.83	7.65	8.07	8.21	8.22	8.23

Source: Central Bank of Samoa

- (1) Samoa Housing Corporation reports on a quarterly basis up to September 2018 quarter.
- (2) Reserve Money is composed of: Currency in Circulation and commercial banks Exchange Settlement Accounts (ESA) and Statutory Required Deposits (SRDs).
- (3) As of July 13th 2015, Bank South Pacific took over Westpac.
- (4) Comprised of demand deposits, foreign currency deposits of residents, and interest payable on these deposits.
- (5) Comprised of time deposits, savings deposits, and the interest payable on these deposits.
- (6) Reflects the reclassification of loans to their appropriate interest rate structure in November 2018.
- (7) Changes back to June 2016 under Financial System Credit section due to revised figures from the commercial banks
- (8) Effective October 2018, Sāmoa Housing Corporation started reporting to Central Bank on monthly basis as was previously reported on quarterly basis.
- (9) Samoa received the IMF-Special Drawing Rights (SDRs) allocation of SDR15.5 million, an equivalent of around \$55.5 million Tala in August 2021.